

# Bulletin

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NUMBER: 2001-8

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TO: All Freddie Mac Sellers and Servicers

December 4, 2001

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**Freddie  
Mac**

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## SUBJECTS

Requirements amended in this Bulletin:

- Selling and Servicing

In response to the terrorist attacks of September 11<sup>th</sup>, President Bush authorized the ordering to active federal duty of members of the National Guard and other Reserve Components in support of Operations Enduring Freedom and Noble Eagle. Operation Enduring Freedom is the term applied to the element of the military response that is focused on overseas objectives. Operation Noble Eagle is the element of the military response focused on defense of the United States, and is often referred to as homeland defense or homeland security.

Those who have been called to active federal duty may be assigned to either Operation Enduring Freedom or Noble Eagle, and are protected by the Soldiers' and Sailors' Civil Relief Act of 1940 (SSCRA). Those who have been called by a State governor to active State duty are assigned to Operation Noble Eagle and are not covered by the SSCRA.

In response to this mobilization, Freddie Mac is:

- Reminding Seller/Servicers of their responsibility to be familiar and comply with the provisions of the SSCRA, as amended, and any other applicable State law that relates to service members, as defined in Chapter 82 of the *Single-Family Seller/Servicer Guide* (Guide)
- Providing certain credit underwriting and Mortgage purchase exceptions
- Revising and reminding Seller/Servicers of Mortgage relief options available for Borrowers who are service members on active federal or State duty
- Expanding our "Peace of Mind" hotline to assist Servicers in determining appropriate relief and workout options for service members on active federal or State duty

Until we notify you otherwise, you must retain this Bulletin for Freddie Mac's selling and Servicing requirements.

We have also added pages on our web site that include:

- A NewsLink message from Senior Vice President and Single-Family Operating Officer Margaret Colon regarding Freddie Mac relief options for Borrowers who were affected by the terrorist attacks of September 11<sup>th</sup>
- Job aids to assist Servicers
- Forms mentioned in this Bulletin
- This Bulletin

Visit <http://www.freddiemac.com/singlefamily/sscra> for more information.

## **EFFECTIVE DATES**

All of the changes are effective immediately.

## **WHY WE'RE MAKING THESE CHANGES AND HOW THEY AFFECT YOU**

### **Background**

Military service entitles a service member on active federal duty to various forms of relief from debt obligations, including Mortgage obligations. Under the SSCRA, the interest rate on any debt obligation contracted by a service member on active federal duty (whether career military or reservist) **before** the effective commencement date of active federal duty is capped at 6 percent per year for the duration of the active federal duty. Other provisions of the SSCRA address the foreclosure of property owned by a service member.

You must be familiar and comply with all of the provisions of the SSCRA, as amended, as it relates to service members on active federal duty. For the text of the SSCRA, visit <http://www.access.gpo.gov/uscode/> (click on "Title 50A," then "Soldiers' and Sailors' Civil Relief Act of 1940"). For more information and instructions for reservists called to active federal duty, visit <http://www.defenselink.mil> (use search criterion "SSCRA").

State laws may contain additional provisions that provide relief to service members. You must also be familiar and comply with those laws.

**Selling**

**The following credit underwriting and purchase exceptions apply only to service members on active federal duty for Operations Enduring Freedom and Noble Eagle.** They are not mandated by the SSCRA and are subject to review and revision by Freddie Mac as circumstances dictate. The changes apply to all Mortgages secured by 1- to 4-unit properties, whether for purchase money or to refinance existing obligations.

**Purchase exceptions for Mortgages subject to the SSCRA**

**Mortgages closed before August 1, 2001, which become subject to the SSCRA 6 percent interest rate cap before delivery to Freddie Mac.** We may purchase such a Mortgage on a negotiated basis. If you wish to sell us such a Mortgage, you must contact your Account Manager.

**Mortgages closed on or after August 1, 2001, which become subject to the SSCRA 6 percent interest rate cap before delivery to Freddie Mac.** To sell us such a Mortgage, you do not need to contact your Account Manager; however, you must:

- Deliver the Mortgage at the rate of interest stated in the Note
- Submit the following items to your investor accounting representative or Freddie Mac's SSCRA mailbox C65 within 10 Business Days of the Delivery Date:
  - A completed Freddie Mac Form 1066, SSCRA Accounting Data Form
  - A copy of the military orders showing the effective date of the service member's active federal duty
- Assume the loss from the interest rate reduction before the Freddie Mac Funding Date

**Mortgages that are subject to, or are being processed for, an SSCRA stay or modification of Mortgage terms (other than the interest rate cap).** We will not buy such a Mortgage until after any stay of enforcement of the Mortgage terms has been lifted or after any temporary modification of the Mortgage terms has ended.

**Underwriting guidance**

With respect to any applicant who is fully qualified on the basis of his or her income derived from full-time civilian employment, and is called to or voluntarily enters active federal duty, a loan originator should allow the applicant to proceed to closing without re-underwriting the related Mortgage based upon reduced military income. However, you must deliver the Mortgage with Special Characteristics Code 274 ("Borrower qualified at pre-military pay") and place a memorandum in the Mortgage file indicating that civilian income was used to qualify the Borrower in full compliance with our underwriting guidelines.

If during the application and underwriting process, an underwriter becomes aware that an applicant is a member of the National Guard or other Reserve Component, the underwriter must not in any way factor into the underwriting decision the possibility that the applicant's income may be reduced in the future due to a call to active federal duty. In addition, the underwriter must not ask if an applicant is a member of the National Guard or other Reserve Component.

If you have any questions about the selling provisions in this Bulletin, please call your Freddie Mac Account Manager or (800) FREDDIE.

### **Servicing**

Chapter 82 of the Guide contains Freddie Mac's specific requirements for Servicing Mortgages of service members. In this Bulletin, we are summarizing the requirements in this Chapter and adding the following changes:

- Requiring that you not initiate foreclosure on a service member without our prior written approval
- Requiring that Servicers contact us if the service member is delinquent in making his or her Mortgage payments at the time relief is requested
- Providing you with detailed information on where to send Forms, copies of military orders and other information concerning a service member's Mortgage

**In addition, to demonstrate our commitment to the national effort, Freddie Mac is applying the Servicing requirements in this Bulletin, including the SSCRA interest rate cap, not only to service members on active federal duty, but also to service members called to active State duty for no less than 28 consecutive days by a State governor to support Operation Noble Eagle.**

### **Mortgage relief options for service members on active federal or State duty**

**Interest rate relief.** If a service member meets the eligibility requirements above, you must grant the 6 percent interest rate cap requested. The difference between the contractual rate of interest and the 6 percent is forgiven. We do not want you to assess the material effect of active duty on the service member's ability to make Mortgage payments at the rate of interest stated in the Note.

If a service member on active federal or State duty requesting interest rate relief is delinquent in making his or her Mortgage payments, you must contact a borrower assistance counselor at our "Peace of Mind" hotline at (800) 743-0076.

**Responding to a request for interest rate relief.** As a reminder, you must provide written notice of your approval of a request for interest rate relief to a service member on active federal or State duty or his or her representative within 5 Business Days of receiving the request. In addition, within 10 Business Days of receiving the request, you must send the following documents to your investor accounting representative or Freddie Mac's SSCRA mailbox C65:

- Freddie Mac Form 1066, SSCRA Accounting Data Form
- A copy of the military orders for active federal or State duty

**Updating a service member's status.** While the interest rate cap is in effect, you must verify at least quarterly that the service member is still on active federal or State duty and is eligible to continue receiving relief. You must notify us of any extension of the service member's active federal or State duty release date by submitting Form 1066 to your investor accounting representative or Freddie Mac's SSCRA mailbox C65. When the service member is released from active federal or State duty, you must notify us by submitting Freddie Mac Form 1071, Supplemental Accounting Report of SSCRA Mortgages, to your investor accounting representative or Freddie Mac's SSCRA mailbox C65. Supporting information in all cases must be attached to Forms 1066 and 1071.

In the event of a service member's death or disability while on active federal or State duty, you must now notify us within 5 Business Days of the date you receive the information by sending the official documentation and information regarding the service member's and survivors' benefits. Submit the information to your investor accounting representative or Freddie Mac's SSCRA mailbox C65 if the Borrower's Mortgage payments are current. If the Mortgage payments are delinquent, you must submit the information to your borrower assistance counselor via Freddie Mac Form 105, Multipurpose Loan Servicing Transmittal. When we receive this information, we will provide you with instructions on how to proceed.

**Resolving delinquencies.** As a reminder, a service member on active federal or State duty who is unable to make monthly Mortgage payments must be considered for relief and workout options specified in Chapters A65 and B65 of the Guide. If you need additional assistance, please contact a borrower assistance counselor by calling the "Peace of Mind" hotline.

**Initiating foreclosure.** In light of our intention to work with service members on active federal or State duty to resolve any delinquency, effective immediately, you must not initiate foreclosure on a service member without our prior written approval. If you have a foreclosure in process and the Borrower is a service member on active federal or State duty, you must stop the foreclosure action immediately.

You must work with the service member on active federal or State duty to resolve any delinquency using the relief and workout options specified in Chapters A65 and B65 of the Guide. If you need additional assistance, please contact a borrower assistance counselor by calling the “Peace of Mind” hotline.

If you believe that a foreclosure should be initiated or continued, you must obtain our approval by submitting the request to our Foreclosure/Bankruptcy Unit via Freddie Mac Form 105, Multipurpose Loan Servicing Transmittal, for a First Lien Mortgage or Form 102, Second Mortgage/HIL Transmittal, for a Second Mortgage/HIL. You must include relevant information to support your recommendation and inform us of any statutory protection that the Borrower is entitled to and whether the Borrower has invoked such protection.

**Late charges.** As a reminder, you must waive late charges for Mortgages with payments deferred, restructured or rate-capped under the SSCRA. You must follow any applicable State laws with respect to collection of late charges for Mortgages of Borrowers called to active State duty. Additional requirements regarding late charges are located in Chapters 64, A65 and B65 of the Guide.

**Reporting to credit repositories.** As a reminder, the Guide requires monthly submission to all three credit repositories of a complete file of Mortgage information for all Mortgages, including recently originated Mortgages, current and delinquent Mortgages and Mortgages liquidated through workout options, foreclosures and charge-offs. You must report a service member as paying as agreed until three months have passed from the date that the service member is released from active federal or State duty, if he or she is receiving military relief under the SSCRA, applicable State law or Freddie Mac guidelines.

**Reporting delinquency information to Freddie Mac.** You must report a delinquency to us via Electronic Default Reporting (EDR) each month that payments are delinquent. We have prepared a job aid listing possible scenarios and reasons for default and related default action codes for use when reporting to us the delinquency information. You can find this job aid on our web site at <http://www.freddie.mac.com/singlefamily/sscra>. We suggest that you print a copy of the job aid and keep it at your desk for quick reference.

If you have questions about the Servicing provisions announced in this Bulletin, please call our “Peace of Mind” hotline at (800) 743-0076. Our team of borrower assistance counselors is available to review relief and workout options for service members as well as Borrowers and families affected by the terrorist attacks of September 11<sup>th</sup>. The line is open Monday through Friday from 9 a.m. to 5 p.m. and Saturday from 10 a.m. to 2 p.m. EST. You may choose to refer these Borrowers directly to the “Peace of Mind” hotline to discuss relief and workout options.

## **CONCLUSION**

Providing support for service members on active federal or State duty is another element of Freddie Mac's "Peace of Mind" plan, our blueprint for providing assistance to Borrowers and families with Freddie Mac-owned Mortgages whose lives have been affected by the catastrophic events of September 11<sup>th</sup>.

Freddie Mac shares the nation's grief and stands unwavering in our dedication to the American dream during these most difficult times. We pledge to work with you to ease some of the burden faced by service members, while ensuring the continuation of a strong housing finance industry.

Sincerely,

A handwritten signature in cursive script that reads "Paul T. Peterson".

Paul T. Peterson  
Executive Vice President, Single-Family Group

